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10 key stories on AI and wealth management in 2024
By Rob Burgess
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As he often does, Michael Kitces had a way of summing it all up.

Kitces, the "chief planning nerd" at Kitces.com, co-founder of the XY Planning Network and head of planning strategy at St. Louis-based Buckingham Wealth Partners, spoke with industry consultant Suzanne Siracuse in a fireside chat that opened the second day of Financial Planning's ADVISE AI conference in Las Vegas.

"I can't be wrong," he said about his work as an advisor. "The whole relationship is trust-based, and I can't lose the foundation of trust. So in a financial advisor context, if someone comes to me with AI and says, 'I made an amazing AI piece of technology that's 99% accurate' — cool. So I'm going to be sued once every year. My goal is to not be sued once in 30 years, because the moment I do, that goes on my regulatory record in every disclosure document I have to present in front of every future client for the rest of my life."

Kitces was saying what many advisors and others were thinking this year: Can we trust AI? That issue of trust, or the lack thereof, was one of the overarching themes of artificial intelligence in the wealth management industry in 2024.

When OpenAI turned the world on its ear in November 2022 by releasing the game-changing ChatGPT, no one knew how quickly things would change.

But, suddenly, the AI race was on.

By the end of 2024, seemingly every financial technology company offered some sort of AI functionality, whether anyone on the user side asked for it or not.

And advisory firms did find ways to incorporate AI applications. Survey after survey released this year found that advisors appreciated the new technology's ability to eliminate what JPMorgan Wealth and Asset Management Head Mary Callahan Erdoes called "no-joy work" — the mostly rote, repeatable tasks on the back-end of the businesses. And AI wasn't all behind the scenes. Client-facing tools such as chatbots also found their way into tech stacks this year.

However, some clients expressed skepticism with this new technology. And they had legitimate cause for concern. Hallucinations abounded in which AI chatbots asserted utter nonsense as if it were unassailable truth. One memorable example occurred earlier this year when Google's new AI search tool extolled the health benefits of eating rocks and suggested non-toxic glue could be used to make cheese stick to pizza crust.

This lack of dependability weighed heavily on advisors, even as they adopted these tools. In the back of many of their minds? The worry that even as they adopted these time-saving tools, they might be putting themselves out of business. After all, if a chatbot could do an advisor's job just as well as an advisor, why should anyone pay for financial advice?

The answer, as advisors said again and again, is that this is a relationship business. As we enter 2025, it's clear that no matter what new advancements this technology brings, a valued connection has to remain. Any application of AI must keep the human somewhere in the loop.

Or, as an IBM training slide from the 1970s put it: "A computer can never be held accountable, therefore a computer must never make a management decision."

Scroll down for a roundup of some of the biggest AI stories in wealth management this year:

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Asset managers treading carefully when approaching AI adoption
Despite the widespread buzz around generative artificial intelligence and its potential in wealth management, many are treading carefully before jumping into the technological frontier.

Only 5% of asset managers said their organizations have defined approaches, or strategies, to implementing GenAI, and one-third said their organizations had not initiated a gen AI journey, according to a KPMG survey of asset management professionals. The cautiousness greatly contrasted with another 40% who said they were in a conceptual phase or discussing limited areas where they can implement AI.

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Wealth managers hopeful on AI, study shows
New research from Arizent, Financial Planning's parent company, shows that the vast majority of advisors are bullish about artificial intelligence. According to "2024 Predictions: What to Expect in the Year Ahead," 87% of wealth managers believe the technology will be beneficial to their industry.

How will advisors use it? The most common answers were tasks related to financial advising, but not the advising itself — at least not yet. Forty-nine percent said they'll use AI to improve emails and marketing communications. Others said they'll use it for client onboarding (35%), informing investment strategies (28%) and lead generation (27%).

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AI in wealth management can be an assistant, not replacement
Rather than view AI as a threat, advisors and other industry professionals ought to see the technology as "a historic opportunity" for the field, said Sindhu Joseph, CEO of AI wealthtech firm CogniCor. In January, Joseph's firm launched its digital assistant for wealth management and insurance firms, using OpenAI through Microsoft's application programming interface. Also in early 2024, giant asset management firm Franklin Templeton and AI wealthtech company TIFIN collaborated on a new chatbot service for 401(k) and other retirement plans.

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SEC turns scrutiny on advisors' AI claims
In March the Securities and Exchange Commission cracked down on a pair of advisory firms that made claims to be the first to bring AI-driven investing recommendations to the industry.

The regulator said it had reached separate settlements with Global Predictions and Delphia over alleged false claims over their use of AI. Both firms were accused by the Wall Street watchdog of telling their clients they had used artificial intelligence to guide investment decisions, when they were in fact relying on systems that differed little from older robo advisors. The case, part of a $400,000 settlement, and suggested how far the technology still has to go if it's to be used for financial planning.

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Most advisors now using AI tools
Any relationship starts with a conversation. And for wealth managers getting comfortable with rapidly developing AI technology, most are getting to know the new space by dipping their toes into language programs, specifically ChatGPT.

According to an Arizent survey of wealth managers, 63% said they know and use AI technology as ChatGPT. The next most familiar AI tools to wealth managers were Bing AI, Bard and Wolfram Alpha — all language and conversational learning-based tools. There's a reason for that.

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Clients and advisors often don't see eye-to-eye on AI
One study and a poll — from the CFP Board and CNBC, respectively — found that so many Americans were interested in, or trusting of, financial advice from AI. On the other hand, 87% of planners expect AI to have a positive impact on their industry.

Why are investors so much more skeptical? Some wealth managers pointed to a link, in many consumers' minds, between technology and scams.

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When it comes to stocks, some investors trust AI
Despite the hype around and capabilities of AI technology, consumers still trust human financial professionals more — and by a significant margin in certain financial situations, according to a survey by the FINRA Investor Education Foundation. But when it came to statements on wealth management and stock performance specifically, respondents said they trusted AI nearly as equally as the human financial advisor.

The February 2024 survey found that only 5% of respondents would seek AI to help make a financial decision, compared to 63% who said they would seek a financial professional and 56% who'd turn to friends and family.

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Meeting recaps and onboarding: The AI tools advisors are using
There's widespread recognition that advisors of all sizes need to begin adopting generative AI to keep growing, but how advisors apply AI tools is moving slowly and runs the gamut.

Some advisors are testing AI applications solely in back-office operations, like automating meeting summaries or managing client onboarding and portfolios. Others are using AI in more client-facing activities, like for marketing to prospects or existing client engagement through chatbots.

A Schwab Advisor Services study found that 62% of more than 1,000 independent investment advisors said they plan to use AI tools to automate routine tasks; 39% said they'd use AI to enhance risk management and compliance efforts. The results contrast with another 21% who said they'd use AI to automate client services, like a chatbot, or for marketing (35%).

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Kitces is cautious when it comes to AI and advice
Trust — that's the big hurdle that advisors will need to overcome for broader AI adoption in the wealth management industry.

That was one of several takes from Michael Kitces about the state of AI in financial services on second day of Financial Planning's ADVISE AI conference in Las Vegas.

In wealth management, advisors are being asked to put faith in AI solutions with high percentages of reliability, but not infallibility. And that matters when dealing with decades-long relationships that involve entrusting an advisor with millions of dollars.

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Is compliance an afterthought for advisors who use AI?
Financial advisors are increasingly adopting AI tools, including automated notetakers, meeting schedulers and portfolio analysis, but one critical step is largely missing: a governance framework for experimenting with AI responsibly.

Among more than 200 financial service compliance leaders surveyed by ACA Aponix and the National Society of Compliance Professionals, only 12% who use AI said they have adopted an AI risk management framework, and just 18% said they have a formal testing program for AI tools.

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